

The surplus lines market is an insurance marketplace that is established for the purpose of insuring unique or hard to place risks. Some of the rules that apply to surplus lines placements and surplus lines companies differ from those that govern coverage obtained from companies licensed in your state.

In order for you to better understand the surplus lines market and the rights you have in a surplus lines transaction, the following information is provided.

Please read this brochure carefully, and should you have any questions after reading the material, do not hesitate to ask your broker. If you want more information, please call the Nebraska Department of Insurance.

## **WHAT IS A SURPLUS LINES POLICY?**

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A surplus lines policy is a policy placed with an insurer that is not admitted or licensed in Nebraska, but is eligible to provide property or liability insurance protection to Nebraskans through specially licensed agents or brokers known as surplus lines agents or brokers.

## **WHY AM I GETTING COVERAGE FROM A SURPLUS LINES INSURER?**

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Your agent or broker was unable to find the coverage you requested among the companies licensed in Nebraska, but was able to provide the coverage from an eligible surplus lines company.

The reason for your agent's or broker's action is that the risk or property for which you sought coverage may be unique or have certain risk characteristics that prevented your agent or broker from placing the coverage with licensed carriers.

Very large commercial policyholders do not need to meet these conditions to buy from a surplus lines insurer.

## **IS MY SURPLUS LINES POLICY COVERED BY THE NEBRASKA INSURANCE GUARANTY FUND?**

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There is no guaranty fund protection for surplus lines policies. The guaranty fund only covers policies of licensed insurers.

## **HOW IS THE RATE OR PRICE OF A SURPLUS LINES POLICY DETERMINED?**

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The rate or premium charged for a surplus lines policy is determined by the insurer depending upon the coverage, policy limits, exclusions, deductibles or other similar policy provisions.

As unlicensed carriers, surplus lines insurers do not file their rates or premiums with the Department of Insurance for review.

The total cost of the policy will include the insurer's premium charge, state surplus lines taxes, plus broker or agent fees and commissions incurred in selling and delivering the policy to you.

*Since the surplus lines insurer is unlicensed, the transactions are regulated by state laws which require that surplus lines policies be obtained by specially licensed excess or surplus lines agents or brokers who are authorized to transact business with non-admitted insurers that meet certain financial and other criteria. These insurers are known as excess or surplus lines insurers.*

*Your agent or broker may have worked with a licensed excess or surplus lines broker in securing your policy.*

## DOES A SURPLUS LINES POLICY CONTAIN STANDARD POLICY LANGUAGE?

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The policies of surplus lines companies are not reviewed or approved by the Department of Insurance. A surplus lines company can modify, and often does modify, standard policy language to decrease or increase coverage depending upon the desire of the insured and the extent to which the company is willing to offer coverage.

Surplus lines policies must be identified as surplus lines insurance on the Declaration Page. Within 30 days after issuing a surplus lines policy, your broker must obtain written permission from you.

## CAN MY POLICY BE RENEWED OR EXTENDED?

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Your surplus lines policy may or may not be renewed or extended when the policy expires. An extension of coverage may depend upon the availability of the coverage from insurers licensed in Nebraska and the willingness of the insurance company to continue to accept the risk.

Since a surplus lines policy is not subject to the same notice requirements as a policy issued by an admitted carrier, notice of a premium increase for a new policy term or

the company's intent not to extend the policy at the same terms and conditions may not be provided until or around the date the policy expires.

Therefore, it is necessary for you to keep in contact with your agent or broker, particularly as the expiration of the policy term nears, to learn the status of the policy and to assure continuity of coverage.



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# SURPLUS LINES POLICIES



## FREQUENTLY ASKED QUESTIONS